

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 103 - HB 161

March 17, 2011

SUMMARY OF BILL: Authorizes any retired firefighter, emergency medical or rescue worker, emergency medical technician, paramedic, state police officer, police officer, sheriff, or deputy sheriff to return to temporary work service in a position covered by the Tennessee Consolidated Retirement System (TCRS) and to continue drawing retirement benefits from TCRS provided that such person does not work more than 200 days performing services typically performed by such employees and for which such retiree was trained to perform prior to retirement.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - \$190,800

Increase Federal Expenditures - \$48,600

Increase Local Expenditures - \$690,000*

Other Fiscal Impact – The total additional lump sum pension liability to the Tennessee Consolidated Retirement System is estimated to be \$9,015,500.

Assumptions:

- TCRS provides retirement benefits for retired state employees, retired teachers, and retired local government employees.
- According to TCRS, enactment of this bill will increase the lump sum pension liability by \$1,981,300. This estimate is relative to retired state employees only.
- Based on information provided by TCRS, the increase in the lump sum pension liability relative to local government employees is estimated to be \$7,034,200.
- The total increase in the lump sum pension liability is estimated to be \$9,015,500 (\$1,981,300 + \$7,034,200).
- Pursuant to Tenn. Code Ann. § 3-9-103(b), TCRS utilizes a 20-year horizon for estimating annual amortized payments of pension benefits.
- Pursuant to Tenn. Code Ann. § 8-34-505, TCRS utilizes a 7.5 percent interest rate for estimating annual amortized payments of pension benefits.
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increased lump sum liability of \$1,981,300 relative to retired state employees, the annual amortized payments will total \$194,350 per year.

- Retirement benefits for retired state employees are funded 75 percent with state funds and 25 percent with federal funds. Therefore, a recurring increase in state expenditures of \$145,763 ($\$194,350 \times 75\%$); and a recurring increase in federal expenditures of \$48,588 ($\$194,350 \times 25\%$).
- Assuming a 20-year horizon, a 7.5 percent interest rate, and an increased lump sum liability of \$7,034,200 relative to retired local government employees, the annual amortized payments will total \$690,000 per year.
- Retirement benefits for retired local government employees are funded 100 percent by local government. Therefore, a recurring increase in local government expenditures of \$690,000.
- TCRS will require one additional position to administer the provisions of this bill. The recurring increase in state expenditures will be \$45,000 (\$32,200 salary, \$12,800 benefits).
- The total recurring increase in state expenditures will be \$190,763 ($\$145,763 + \$45,000$).

**Article II, Section 24 of the Tennessee Constitution provides that: No law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



James W. White, Executive Director

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